

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 AID-05 EB-07 CIAE-00 INR-07

NSAE-00 COME-00 TRSE-00 OMB-01 IO-13 /044 W

-----042231Z 001848 /66

R 040945Z MAY 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 7224

INFO AMEMBASSY AMEMBASSY NEW DELHI

AMEMBASSY ROME

LIMITED OFFICIAL USE SECTION 1 OF 2 COLOMBO 1545

DEPARTMENT PASS USDA FOR PL 480 TITLE I COORDINATOR NORTON:

NEW DELHI FOR AGATT: ROME FOR FODAG

E.O. 11652: N/A

TAGS EAID, EAGR,ECON,PINT, CE

SUBJECT: SRI LANKA FOOD GRAIN SITUATION AND OUTLOOK, APRIL 1977

REF: (A) COLOMBO 0257, (B) COLOMBO 1401, (C) COLOMBO 1489

(ALL REFTELS NOTAL/ROME)

1. SUMMARY. PROVISIONAL STATISTICS FOR 1976 PUT PADDY PRODUCTION AT 60.0 MILLION BUSHELS, UP 8.5 PERCENT OVER 1975. ALTHOUGH THE OFFICIAL PROJECTION FOR PADDY OUTPUT IN 1977 IS STILL 90.7 MILLION BUSHELS, ESTIMATES BY MINISTRY OF AGRICULTURE TECHNICIANS INDICATES 80 MILLION BUSHELS IS A BETTER GUESS. EVEN THIS REDUCED PROJECTION WOULD STILL BE A RECORD HARVEST WHICH, WHEN COMBINED WITH A VERY HIGH LEVEL OF PROJECTED IMPORTS, WOULD RESULT IN A PER CAPITA CONSUMPTION OF 245 POUNDS OF RICE IN 1977. WITH BOTH LOCALLY MILLED AND IMPORTED WHEAT FLOUR ALSO EXPECTED TO REACH RECORD HIGHS THIS YEAR, THE SUPPLY OF FLOUR SHOULD BE MORE THAN ADEQUATE TO MEET ANTICIPATED DEMAND. END SUMMARY.

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2. RICE: FOLLOWING THE USDA REPORTING FORMAT, BELOW IS A SUPPLY-DISTRIBUTION TABLE FOR RICE BASED ON ACTUAL STATISTICS FOR 1975, PRELIMINARY FIGURES FOR 1976, AND PROJECTIONS FOR 1977. ALL THE DATA SHOWN, WITH THE EXCEPTION OF 1977 PRODUCTION PROJECTIONS WHICH ARE BASED ON INFORMATION PROVIDED BY MINISTRY OF AGRICULTURE TECHNICIANS, WERE PREPARED BY THE EXTERNAL RESOURCES

DIVISION (ERD) AT THE END OF APRIL. PRODUCTION FIGURES
IN METRIC TONS ARE CONVERTED FROM BUSHEL OF PADDY USING
A CONVERSION FACTOR OF 70 BUSHEL OF PADDY EQUALS
ONE METRIC TON OF MILLED RICE (AVERAGE MILLING RATE OF
70 PERCENT).

SUPPLY AND DISTRIBUTION OF RICE-1975, 1976, AND 1977

(1,000 MT)

	1975 ACTUAL	1976 PROVISIONAL	1977 PROJECTION AT MID-APRIL
A. BEGINNING STOCKS	90	96	60
B. PRODUCTION	790	857	1,143
	(55.3 MN BU)	(60.9 MN BU)	(80.0 MN BU)
(1) MAHA	493	604	786
	(34.5 MN BU)	(42.3 MN BU)	(55.0 MN BU)
(3) YALA	297	253	357
	(20.8 MN BU)	(17.7 MN BU)	(25.0 MN BU)
C. IMPORTS	450	425	503
(1) COMMERCIAL	450	421	475
FROM: PRC	213	172	178
BURMA	51	25	--
PAKISTAN	76	178	157
THAILAND	97	46	141
SINGAPORE	10	--	--
(2) CONCESSIONAL	--	4	28
FROM US PL 480	--	--	20
JAPAN	--	4	--
YUGOSLAVIA	--	--	8
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D. TOTAL SUPPLY	1,330	1,378	1,706
(A PLUS B PLUS C)			
E. CONSUMPTION	1,330	1,275	1,569
(I-F)			
F. SEED,FEED, WASTE	93	103	137
G. EXPORT	NIL	NIL	NIL
H. ENDING STOCK	96	60	90
I. TOTAL DISTRIBUTION	1,234	1,318	1,616
(D-H)			

NOTE: RICE IMPORTS FORM BURMA REPRESENT PURCHASES BY THE
PEOPLE'S REPUBLIC OF CHINA (PRC) FOR SHIPMENT TO SRI LANKA
TO FULFILL COMMITMENTS UNDER RICE/RUBBER BARTER AGREEMENTS.
SEED,FEED, AND WASTE ARE ESTIMATED AT 12 PERCENT OF
PRODUCTION.

3. PROVISIONAL STATISTICS FOR 1976 PUT TOTAL PADDY OUTPUT
AT 60.0 MILLION BUSHEL, WHICH IS AN INCREASE OF 8.5
PERCENT OVER 1975. THIS IS A BIT HIGHER THAN THE
PREVIOUS ESTIMATE OF 57.3 MILLION BUSHEL REPORTED REFTL

A. THE MINISTRY OF AGRICULTURE HAS INCREASED THE MAHA (MAJOR CROP HARVESTED IN SPRING) OUT PUT BY ONE MILLION BUSHEL AND THE YALA (MINOR CROP HARVESTED IN FALL) PRODUCTION BY 1.8 MILLION BUSHEL. ACCORDING TO AGRICULTURE OFFICIALS, THE UPWARD REVISION OF PRODUCTION DATA IS DUE TO HIGHER THAN EXPECTED OUTPUT OF IRRIGATED PADDY LANDS IN THE EASTERN PROVINCES AND TO THE SLOWNESS OF DATA COLLECTION. IN ADDITION, THE AVERAGE YIELD ROSE 2 PERCENT IN 1976 TO REACH 45 BUSHEL PER ACRE. ALTHOUGH SOME OBSERVERS QUESTION THE VALIDITY OF PADDY PRODUCTION FIGURES (REFTEL A), PURCHASES BY THE PADDY MARKETING BOARD (PMB) AT THE GUARANTEED PRICE OF RS.33 PER BUSHEL INCREASED 13.2 PERCENT IN 1976 OVER 1975 WHICH MAKES IT REASONABLE TO ASSUME THERE WAS AN IMPROVEMENT IN PADDY PRODUCTION DURING 1976. MOREOVER, PMB PURCHASES IN THE EASTERN PROVINCES OF TRINCOMALEE, BATTICALOA, AND AMPARAI ROSE 25 PERCENT IN LIMITED OFFICIAL USE

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1976, WHICH LENDS FURTHER CREDENCE TO AGRICULTURE'S PRODUCTION ESTIMATES.

4. FOLLOWING HEAVY RAINFALL OVER MOST OF ISLAND DURING THE LAST THREE MONTHS OF 1976, THE PASTERN OF PRECIPITATION WAS MORE ERRATIC IN THE FIRST FOUR MONTHS OF THIS YEAR. JANUARY WAS VERY DRY AND DROUGHT CONDITIONS RETURNED TO MOST PARTS OF THE COUNTRY. RAIN DURING FEBRUARY AND MARCH WAS QUITE VARIABLE WITH THE SOUTHWEST COASTAL REGION RECEIVING MORE THAN NORMAL WHILE THE MOUNTAINS AND DRY ZONE AREAS WERE BELOW AVERAGE. PRELIMINARY REPORTS FOR APRIL INDICATE CONTINUED DRYNESS ALONG THE EAST COAST BUT MOST AREAS OF THE COUNTRY RECEIVED NORMAL OR ABOVE RAINFALL. GENERALLY SPEAKING, THIS JANUARY WAS MUCH DRYER THAN JANUARY 1976, WHILE THE SUBSEQUENT THREE MONTHS OF 1977 WERE WETTER THAN THE SAME PERIOD LAST YEAR.

5. THE MOST RECENT INFORMATION PROVIDED BY THE ERD AT THE END OF APRIL CONTINUES TO APROJECT THE 1977 PADDY HARVEST AT 90.7 MILLION BUSHEL AS REPORTED REFTEL A. TECHNICAL LEVEL EXPERTS IN THE MINISTYR OF AGRICULTURE, HOEVER, SAY THE MAHA HARVEST WILL PROBABLY BE IN THE RANGE OF 53-55 MILLION BUSHEL OF PADDY (REFTEL B) RATHER THAN THE PROJECTED LEVEL OF 59.4 MILLION BUSHEL. ALTHOUGH THE SIZE OF THE YALA CROP WILL DEPND TO A LARGE EXTENT ON THE UNPREDICTABLE SOUTHWEST MONSOON, MINISTYR EXPERTS SAY THE WATER LEVELS OF IRRIGATION RESERVOIRS ARE HIGHTER THAN THEY WERBLAST YEAR AT THIS TIME SO THEY EXPECT A BETTER YALA HARVEST THAN THE 17.7 MILLION BUSHEL PROVISIONALLY RECORDED FOR 1976. WHEN

PRESSED FOR AN ESTIMATE OF THIS YEAR'S YALA, THE EXPERTS
SAY 23-25 MILLION BUSHEL AS AN UNOFFICIAL GUESS ASSUM-
ING THE SOUTHWEST MONSOON BRINGS A REASONABLE AMOUNT OF
RAIN. (RECORD HIGHT YALA OUTPUT WAS 28.0 MILLION BUSHEL
8, 1970). ON THE BASIS OF THE ABOVE FIGURES, THE
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EMBASSY IS USING 80 MILLION BUSHEL AS TH PROJECTED
PADDY PRODUCTION FOR 1977 WHICH, IF REALIZED, WILL
SURPASS THE PREVIOUS RECORD FO 77.4 MILLION BUSHEL IN
1970.

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R 040945Z MAY 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 7225

INFO AMEMBASSY NEW DELHI

AMEMBASSY ROME

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DEPARTMENT PASS USDA FOR PL 480 TITLE I COORDINATOR NORTON:

NEW DELHI FOR AGATT: ROME FOR FADAG

6. RICE IMPORTS IN 1976 WERE 5.6 PERCENT BELOW 1975,
BUT THE INCREASE IN DOMESTIC PRODUCTION AND A DRAWDOWN
OF STOCKS RESULTED IN AN 11.7 PERCENT INCREASE IN
CONSUMPTION DURING 1976. PROJECTED IMPORTS FOR 1977
SHOW AN INCREASE OF 18.4 PERCENT OVER 1976. THIS
HIGH LEVEL OF IMPORTS (THIRD HIGHEST IN THE COUNTRY'S
HISTORY-REFTEL B) COMBINED WITH A PROJECTED RECORD
DOMESTIC OUTPUT WOULD RESULT IN A CONSUMPTION LEVEL OF
1,569,000 METRIC TONS IN 1977 (UP 23.1 PERCENT OVER

1976), OR APPROXIMATELY 245 POUNDS PER CAPITAL. THIS COMPARES WITH A RECORD HIGH PER CAPITAL AVAILABILITY (PRODUCTION PLUS IMPORTS) OF 276 POUNDS IN 1970. AS INDICATED IN REFTELS B AND C, THE CURRENT GSL IS FOLLOWING THE HISTORICAL PATTERN OF PROVIDING LARGE AMOUNTS OF FOOD DURING AN ELECTION YEAR.

7. WHILE 245 POUNDS PER PERSON MAY SEEM LIKE AN EXTRAORDINARY AMOUNT OF RICE, MANY SRI LANKANS CONSUME A POUND A DAY WHEN THEY CAN GET IT. WITH THE WEEKLY RICE RATION LIMITED OFFICIAL USE

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NOW INCREASED TO FOUR POUNDS PER PERSON, THE GSL WILL BE SUPPLYING RICE AT AN ANNUAL RATE OF 208 POUNDS PER PERSON. IN PREVIOUS YEARS, WHEN THE GOVERNMENT PROVIDED FOUR POUNDS OF SUBSIDIZED RICE PER PERSON, THERE WAS STILL A RESIDUAL DEMAND FOR FREE MARKET RICE. WITH THE SUBSIDIZED PRICE OF RATIONED RICE AT RS. 1.00 PER POUND AND WITH FREE MARKET PRICES FLUCTUATING BETWEEN RS. 1.25 TO RS. 2.00 PER POUND, THERE HAS BEEN A CONSIDERABLE SHIFT IN DEMAND FROM RICE TO CHEAPER WHEAT FLOUR PRODUCTS. IN RECENT DAYS, HOWEVER, THERE HAS BEEN PRESS SPECULATION THAT THE SUBSIDIZED PRICE OF RATION RICE WOULD BE REDUCED TO RS. 0.75 PER POUND. IF THIS REDUCTION SHOULD COME TO PASS, AND GIVEN THE DEPRESSING EFFECT OF A BUMPER HARVEST ON FREE MARKET PRICES, THERE COULD BE A SHIFT AWAY FROM FLOUR PRODUCTS BACK TO RICE. SUCH A REDUCTION WOULD COST THE GOVERNMENT ABOUT RS. 40 MILLION (\$5.5 MILLION AT CURRENT OFFICIAL EXCHANGE RATE) A MONTH IN ADDITIONAL SUBSIDIES.

8. WHEAT FLOUR: AS WHEAT IS NOT GROWN IN SRI LANKA, THE PRODUCTION FIGURES IN THE FOLLOWING SUPPLY-DISTRIBUTION TABLE FOR FLOUR REPRESENTS THE OUTPUT OF THE STATE FLOUR MILLING CORPORATION USING IMPORTED WHEAT GRAIN FROM AUSTRALIA.

SUPPLY AND DISTRIBUTION OF WHEAT FLOUR - 1975, 1976, AND 1977

(1,000 MT)

1975 1976 1977 PROJECTION AT

ACTUAL ACTUAL MID-APRIL

A. BEGINNING STOCKS 84 84 20

B. PRODUCTION (FROM

IMPORTED WHEAT) 65 93 104

C. FLOUR IMPORTS 463 382 575

(1) COMMERCIAL 272 214 240

FROM: FRANCE 165 110 62

NETHERLANDS -- -- 40

AUSTRALIA 76 47 --

SINGAPORE 31 14 28

BELGIUM -- 33 10

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ITALY	--	11	50
BALANCE	--	--	50
(2) CONCESSIONAL		191	168 335
FROM: US PL 480		101	100 200
EC	30	--	35
CANADA	9	16	30
AUSTRALIA	22	8	8
SWEDEN	8	12	10
FRANCE	5	9	5
ITALY	6	--	4
FRG	--	8	13
UN	10	10	22
NETHERLANDS	--	3	5
YUGOSLAVIA	--	--	3

D. TOTAL SUPPLY

(A PLUS B PLUS C) 612 559 699

E. CONSUMPTION

(I - F) 513 525 582

F. SEED, FEED, WASTE 15 14 17

G. EXPORTS NIL NIL NIL

H. ENDING STOCK 84 20 100

I. TOTAL DISTRIBUTION

(D - H) 528 539 599

NOTE: SEED, FEED, AND WASTE ARE ESTIMATED AT 2.5 PERCENT OF TOTAL SUPPLY.

9. AFTER REACHING A PEAK OF 70,000 TONS DURING DECEMBER, MONTHLY CONSUMPTION OF WHEAT FLOUR STABILIZED AT BETWEEN 55,000 AND 60,000 TONS DURING JANUARY THROUGH APRIL. WITH A RECORD MAHA RICE HARVEST NOW ENTERING THE MARKET, THE FOOD COMMISSIONER'S OFFICE EXPECTS A FURTHER REDUCTION IN THE DEMAND FOR FLOUR WITH MONTHLY CONSUMPTION SLIPPING TO 50,000 TONS OR LESS DURING THE SUMMER MONTHS. WHAT HAPPENS IN THE FALL WILL DEPEND ON THE SIZE OF THE YALA HARVEST AND ON THE GSL'S RICE RATION POLICY BEFORE AND IMMEDIATELY AFTER THE LIMITED OFFICIAL USE

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GENERAL ELECTIONS DUE LATE THIS SUMMER. THE ERD'S PROJECTIONS FOR 1977 INDICATE THAT BOTH PRODUCTION AND IMPORTS WILL REACH RECORD HIGHS. COMMERICAL IMPORTS ARE PROJECTED AT 240,000 TONS, BUT 50,000 TONS OF THIS AMOUNT (SHOWN AS "BALANCE" IN THE TABLE) HAS NOT BEEN PURCHASED AS YET. IF THE DEMAND FOR FLOUR DROPS SUFFICIENTLY, COMMERICAL IMPORTS COULD AMOUNT TO ONLY 190,000 TONS. THE RATHER HIGH ENDING STOCK OF 100,000 TONS FOR 1977 COULD BE HELD TO A LOWER FIGURE TO MINIMIZE

COMMERICAL IMPORTS.

10. AFTER EXPERIENCING FLOUR SHORTAGES IN THE EARLY PART OF THIS YEAR (REFTEL A) SUPPLY SHIPS HAVE BEEN ARRIVING FASTER THAN THE COUNTRY'S PORT FACILITIES CAN UNLOAD THEM. DESPITE PORT BOTTLENECKS AND INTERNAL DISTRIBUTION PROBLEMS, FLOUR STOCKS HAVE NOW BEEN BUILT UP TO COMFORTABLE LEVELS. THE STATE FLOUR MILLING CORPORATION HAS RETURNED TO ITS NORMAL TWO-SHIFT, SIX-DAY WORK WEEK. UNLESS THE DEMAND FOR FLOUR IS MUCH GREATER THAN EXPECTED, THERE SHOULD BE NO DANGER OF FLOUR SHORTAGES DURING THE PRE-ELECTION PERIOD.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGRICULTURAL PRODUCTION, DATA, RICE, WHEAT, FOODS, GRAINS, IMPORT DATA
Control Number: n/a
Copy: SINGLE
Sent Date: 04-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977COLOMB01545
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770157-0023
Format: TEL
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770597/aaaadflr.tel
Line Count: 344
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c0b8309b-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 COLOMBO 257, 77 COLOMBO 1401, 77 COLOMBO 1489
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2648404
Secure: OPEN
Status: NATIVE
Subject: SRI LANKA FOOD GRAIN SITUATION AND OUTLOOK, APRIL 1977
TAGS: EAID, EAGR, ECON, PINT, CE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c0b8309b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009